

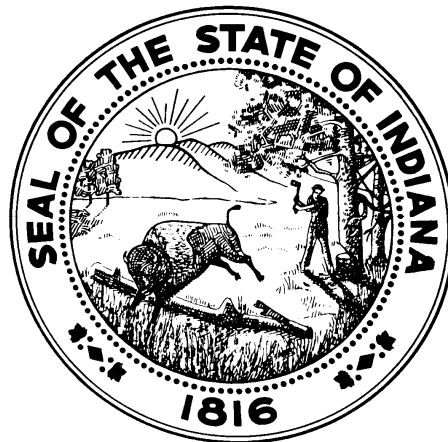
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF NEW ALBANY

FLOYD COUNTY, INDIANA



FILED
06/26/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Kathlyn M. Garry	01-01-07 to 12-31-08
Mayor	James E. Garner Douglas B. England	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Anthony B. Toran Matthew B. Denison	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Common Council	Larry Kochert Jeff Gahan	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Sewer Board	James E. Garner Ronald S. Carroll	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF NEW ALBANY, FLOYD COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Albany (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2007, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated June 4, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress, Schedules of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

June 4, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF NEW ALBANY, FLOYD COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Albany (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 4, 2008

CITY OF NEW ALBANY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 3,898,643	\$ 603,582	\$ 34,158	\$ -	\$ (3,260,903)	\$ -	\$ (3,260,903)
Public safety	16,096,663	510,294	165,737	-	(15,420,632)	-	(15,420,632)
Highways and streets	2,869,454	1,519,261	1,516,525	419,374	585,706	-	585,706
Health and welfare	199,737	596,182	-	-	396,445	-	396,445
Economic development	5,913,057	-	-	991,321	(4,921,736)	-	(4,921,736)
Culture and recreation	1,693,142	480,909	-	-	(1,212,233)	-	(1,212,233)
Urban redevelopment and housing	1,249,048	122,120	-	-	(1,126,928)	-	(1,126,928)
Principal and interest on indebtedness	2,153,345	-	-	-	(2,153,345)	-	(2,153,345)
Total governmental activities	34,073,089	3,832,348	1,716,420	1,410,695	(27,113,626)	-	(27,113,626)
Business-type activities:							
Wastewater	12,185,315	13,014,357	-	-	-	829,042	829,042
Total primary government	<u>\$ 46,258,404</u>	<u>\$ 16,846,705</u>	<u>\$ 1,716,420</u>	<u>\$ 1,410,695</u>	<u>(27,113,626)</u>	<u>829,042</u>	<u>(26,284,584)</u>
General receipts:							
Property taxes					14,472,421	-	14,472,421
Intergovernmental					10,349,346	-	10,349,346
Other local sources					3,963,193	-	3,963,193
Net proceeds from borrowings					2,995,000	-	2,995,000
Grants and contributions not restricted to specific programs					33,683	-	33,683
Investment earnings					343,322	146,677	489,999
Transfers					(775,000)	775,000	-
Total general receipts and transfers					31,381,965	921,677	32,303,642
Change in net assets					4,268,339	1,750,719	6,019,058
Net assets - beginning					15,243,026	4,175,233	19,418,259
Net assets - ending					<u>\$ 19,511,365</u>	<u>\$ 5,925,952</u>	<u>\$ 25,437,317</u>
<u>Assets</u>							
Cash and investments					\$ 643,821	\$ 1,043,202	\$ 1,687,023
Restricted assets:							
Cash and investments					18,867,544	1,892,636	\$ 20,760,180
Cash and investments with fiscal agent					-	2,990,114	2,990,114
Total assets					<u>\$ 19,511,365</u>	<u>\$ 5,925,952</u>	<u>\$ 25,437,317</u>
<u>Net Assets</u>							
Restricted for:							
General government					\$ 131,655	\$ -	\$ 131,655
Public safety					769,426	-	769,426
Highways and streets					921,639	-	921,639
Economic development					11,187,744	-	11,187,744
Culture and recreation					178,744	-	178,744
Urban redevelopment and housing					76,530	-	76,530
Debt service					234,260	4,816,552	5,050,812
Capital outlay					5,367,546	66,198	5,433,744
Unrestricted					643,821	1,043,202	1,687,023
Total net assets					<u>\$ 19,511,365</u>	<u>\$ 5,925,952</u>	<u>\$ 25,437,317</u>

The notes to the financial statements are an integral part of this statement.

NEW ALBANY CITY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	TIF Bond Grantline Road	TIF Allocation	Economic Development Income Tax	TIF Bond Daisy Lane	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 10,019,869	\$ -	\$ 338,033	\$ -	\$ -	\$ 4,114,519	\$ 14,472,421
Licenses and permits	218,414	-	-	-	-	29,932	248,346
Intergovernmental	5,040,785	-	592,000	2,401,460	-	6,359,435	14,393,680
Charges for services	418,188	-	-	-	-	3,030,045	3,448,233
Fines and forfeits	725	-	-	-	-	46,504	47,229
Other	113,674	74,259	35,626	100,328	11,698	1,253,303	1,588,888
Total receipts	15,811,655	74,259	965,659	2,501,788	11,698	14,833,738	34,198,797
Disbursements:							
General government	1,142,689	-	-	-	-	743,418	1,886,107
Public safety	15,021,613	-	-	-	-	659,631	15,681,244
Highways and streets	-	-	-	-	-	2,869,454	2,869,454
Health and welfare	199,737	-	-	-	-	-	199,737
Economic development	-	-	-	44,995	-	-	44,995
Culture and recreation	-	-	-	-	-	1,567,749	1,567,749
Urban redevelopment and housing	-	-	-	-	-	1,249,048	1,249,048
Debt service:							
Principal	-	-	100,000	550,000	-	1,188,452	1,838,452
Interest	-	-	57,571	64,000	-	193,322	314,893
Capital outlay:							
General government	-	-	-	-	-	1,037,664	1,037,664
Public safety	-	-	-	-	-	415,419	415,419
Economic development	-	-	626,308	2,369,614	1,285,481	1,586,659	5,868,062
Culture and recreation	-	-	-	-	-	125,393	125,393
Total disbursements	16,364,039	-	783,879	3,028,609	1,285,481	11,636,209	33,098,217
Excess (deficiency) of receipts over disbursements	(552,384)	74,259	181,780	(526,821)	(1,273,783)	3,197,529	1,100,580
Other financing sources (uses):							
Net proceeds from borrowings	-	-	-	-	2,995,000	-	2,995,000
Transfers in	-	-	-	-	-	120,966	120,966
Transfers out	-	-	-	(775,000)	-	(120,966)	(895,966)
Other receipts	69,177	-	-	31,596	-	973,424	1,074,197
Total other financing sources (uses)	69,177	-	-	(743,404)	2,995,000	973,424	3,294,197
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(483,207)	74,259	181,780	(1,270,225)	1,721,217	4,170,953	4,394,777
Cash and investment fund balance - beginning	(1,735,500)	1,560,542	4,046,598	4,849,138	-	6,356,268	15,077,046
Cash and investment fund balance - ending	<u>\$ (2,218,707)</u>	<u>\$ 1,634,801</u>	<u>\$ 4,228,378</u>	<u>\$ 3,578,913</u>	<u>\$ 1,721,217</u>	<u>\$ 10,527,221</u>	19,471,823
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because: Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.							39,542
Net assets of governmental activities							<u>\$ 19,511,365</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ (2,218,707)	\$ -	\$ -	\$ -	\$ -	\$ 2,862,528	\$ 643,821
Restricted assets:							
Cash and investments	-	1,634,801	4,228,378	3,578,913	1,721,217	7,664,693	18,828,002
Total cash and investment assets - ending	<u>\$ (2,218,707)</u>	<u>\$ 1,634,801</u>	<u>\$ 4,228,378</u>	<u>\$ 3,578,913</u>	<u>\$ 1,721,217</u>	<u>\$ 10,527,221</u>	<u>\$ 19,471,823</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,113	\$ 92,113
Public safety	-	-	-	-	-	769,426	769,426
Highways and streets	-	-	-	-	-	921,639	921,639
Economic development	-	1,634,801	4,228,378	-	1,721,217	3,603,348	11,187,744
Culture and recreation	-	-	-	-	-	178,744	178,744
Urban redevelopment and housing	-	-	-	-	-	76,530	76,530
Debt service	-	-	-	-	-	234,260	234,260
Capital outlay	-	-	-	3,578,913	-	1,788,633	5,367,546
Unrestricted	(2,218,707)	-	-	-	-	2,862,528	643,821
Total cash and investment fund balance - ending	<u>\$ (2,218,707)</u>	<u>\$ 1,634,801</u>	<u>\$ 4,228,378</u>	<u>\$ 3,578,913</u>	<u>\$ 1,721,217</u>	<u>\$ 10,527,221</u>	<u>\$ 19,471,823</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NEW ALBANY
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2007

	Wastewater Utility	Internal Service Funds
Operating receipts:		
Measured wastewater revenue:	\$ 10,288,549	\$ -
Sanitation revenue	2,126,428	-
Other wastewater revenue	434,814	-
Other sanitation revenue	164,566	-
Insurance proceeds	-	848,434
	<u>13,014,357</u>	<u>848,434</u>
Total operating receipts		
	<u>13,014,357</u>	<u>848,434</u>
Operating disbursements:		
Cost of sales and services	-	42,922
Equipment and capital improvements	132,133	-
Treatment and disposal disbursements - operations and maintenance	4,756,651	-
Sanitation - operations and maintenance	2,117,233	-
Administration and general	527,490	-
Insurance claims and expense	-	931,950
	<u>7,533,507</u>	<u>974,872</u>
Total operating disbursements		
	<u>7,533,507</u>	<u>974,872</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>5,480,850</u>	<u>(126,438)</u>
Nonoperating receipts (disbursements):		
Interest and investment receipts	146,677	-
Debt service of principal	(2,587,579)	-
Interest disbursements	(2,064,229)	-
	<u>(4,505,131)</u>	<u>-</u>
Total nonoperating receipts (disbursements)		
	<u>(4,505,131)</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	975,719	(126,438)
Transfers in	<u>775,000</u>	<u>-</u>
Excess (deficiency) of receipts and transfers in over disbursements	1,750,719	(126,438)
Cash and investment fund balance - beginning	<u>4,175,233</u>	<u>165,980</u>
Cash and investment fund balance - ending	<u>\$ 5,925,952</u>	<u>\$ 39,542</u>
<u>Cash and Investment Assets - December 31</u>		
Cash and investments	\$ 1,043,202	\$ -
Restricted assets:		
Cash and investments	1,892,636	39,542
Cash and investments with fiscal agent	<u>2,990,114</u>	<u>-</u>
Total cash and investment assets - December 31	<u>\$ 5,925,952</u>	<u>\$ 39,542</u>
<u>Cash and Investment Fund Balance - December 31</u>		
Restricted for:		
General government	\$ -	\$ 39,542
Debt service	4,816,552	-
Capital outlay	66,198	-
Unrestricted	<u>1,043,202</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 5,925,952</u>	<u>\$ 39,542</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NEW ALBANY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Fund
Additions:			
Contributions:			
Employer	\$ 884,488	\$ -	\$ -
Plan members	17,190	-	-
State	4,944,360	-	-
Other	-	3,800	-
Total contributions	<u>5,846,038</u>	<u>3,800</u>	<u>-</u>
Investment earnings:			
Interest	-	7,859	-
Agency fund additions	-	-	21,316,018
Total additions	<u>5,846,038</u>	<u>11,659</u>	<u>21,316,018</u>
Deductions:			
Benefits	4,184,854	-	-
Administrative and general	12,044	18,194	-
Agency fund deductions	-	-	21,325,833
Total deductions	<u>4,196,898</u>	<u>18,194</u>	<u>21,325,833</u>
Excess (deficiency) of total additions over total deductions	1,649,140	(6,535)	(9,815)
Cash and investment fund balance - beginning	<u>1,354,803</u>	<u>232,294</u>	<u>431,296</u>
Cash and investment fund balance - ending	<u>\$ 3,003,943</u>	<u>\$ 225,759</u>	<u>\$ 421,481</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City of New Albany

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Governed Organization

The City, in conjunction with Floyd County, has created the New Albany-Floyd County Parks and Recreation Board, which was created to oversee the operations of all the parks within the County. Currently, each Board presents its budget to the appropriate fiscal body for its proportionate share of funding. Taxes received by Floyd County are remitted to the City of New Albany after each distribution. The City Controller maintains all financial records and accountability of funds for the Joint Park Board.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The tif bond grantline road fund is used to account for funds in accordance with Indiana Code 36-7-4.

The tif allocation fund is used to account for funds in accordance with Indiana Code 36-7-4.

The economic development income tax fund is used to account for receipts and disbursements in accordance with Indiana Code 6-3.5-7, and can be used for various economic development projects or for any lawful purpose for which money in any of its other funds may be used.

The tif bond daisy lane fund is used to account for funds in accordance with Indiana Code 36-7-4.

The City reports the following major proprietary fund:

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the City reports the following fund types:

The internal service fund accounts for self-insurance claims which are handled by a third party administrator.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income is used for the maintenance and upkeep of the City's fairview cemetery.

The agency fund accounts for payroll withholdings held by the City and serves as a control account for withholding transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and Wastewater Utility. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2007, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

<u>Fund</u>	<u>2007</u>
General	\$ 811,179
Storm Water	<u>1,323,055</u>
Total	<u><u>\$ 2,134,234</u></u>

These disbursements were funded with unappropriated available cash balances.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Cash and Investment Balance Deficits

At December 31, 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007
General	\$ 2,218,707
Motor Vehicle Highway	86,325
New Directions	9,766
Redevelopment BAN Charlestown Road	1,400

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2007, the City had the following investments:

Type	Value
Mutual funds	\$ 2,990,114

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2007, the City held investments in mutual funds, in the amount of \$2,990,114. Of these investments \$2,990,114 was held by the counterparty's trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Mutual funds	\$ 2,990,114	\$ -	\$ -

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

Standard and Poor's Rating	Moody's Rating	<u>City's Investments</u> Mutual Funds
AAA	Aaa	\$ <u>2,990,114</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, were as follows:

Transfer From	Transfer To	2007
Economic Development Income Tax Fund	Wastewater Utility Fund	\$ 775,000
Other governmental funds	Other governmental funds	<u>120,966</u>
Total		<u>\$ 895,966</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions and as required by financing agreements.

C. Restatements and Reclassifications

For the year ended December 31, 2007, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit. The restatement is a result of a separate fund (Storm Water) being set up to account for the activities of the City's storm water system. These activities were previously accounted for as part of the Wastewater Utility.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Opinion Unit	Balance as Reported December 31, 2006	Fund Reclassification	Balance as Restated January 1, 2007
Governmental activities	\$ 15,101,864	\$ 141,162	\$ 15,243,026
Business-type activates	4,316,395	(141,162)	4,175,233
Other governmental funds - Storm Water	6,215,106	141,162	6,356,268
Proprietary funds - Wastewater Utility	4,316,395	(141,162)	4,175,233

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Group Dental Insurance

The City has chosen to establish a risk financing for risks associated with dental insurance claims. The risk financing fund is accounted for in the Medical/Drug Fund, an internal service fund, where assets are set aside for claim settlements. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund based on the number of employees paid from each fund.

B. Contract for Management and Operation of Wastewater Treatment Facility and Collection System and Contract for Management and Operation of Storm Water System

Wastewater Treatment Facility and Collection System

On March 30, 2001, and as later amended on August 13, 2001, the City contracted with EMC of Indiana, L.L.C., (EMC) to manage the operation and maintenance of its Wastewater Treatment Facility and Collection System. This contract was for the period of April 2, 2001 to April 1, 2004, and provided monthly payments to EMC of \$228,705 for the first year of the agreement and an adjusted amount annually for subsequent years.

On July 3, 2007, the City entered into a new contract with Environmental Management Corporation (EMC). The term of the new contract is from July 1, 2007 through December 31, 2010 with an automatic renewal for an additional two years though December 31, 2012. The contract calls for the City to make monthly compensation payments to EMC in the amount of \$308,000 through

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

December 31, 2007. Beginning January 1, 2008, the contract requires the city to compensate EMC in the amount of \$277,083 per month for an annual compensation of \$3,325,000. The contract provides for the annual compensation to be negotiated each year. Monthly payments due in 2007 totaled \$3,607,623. Under terms of the contract, EMC is responsible for paying expenses required for the normal operation and maintenance of the Plant and Collection System, except for individual repair and maintenance items which cost in excess of \$5,000 and capital expenditures in excess of \$5,000 which remain an obligation of the City.

Storm Water System

On November 3, 2006, and as later amended on May 31, 2007, the City contracted with Environmental Management Corporation (EMC) to manage the operation and maintenance of its storm water system. This contract was for the period of November 3, 2006 to June 30, 2007, and was later amended to extend the term through June 30, 2008. However, a new contract was entered into on July 20, 2007 and is to expire on December 31, 2010. This agreement will automatically renew for an additional two years through December 31, 2012. Monthly payments due in 2007 totaled \$194,717. For the first 12 month period of the agreement, the City will provide monthly installments of \$42,250 for an annual sum of \$507,000 and an adjusted amount annually for subsequent years. Under the terms of the contract, EMC is responsible for paying expenses required for normal operation and maintenance of the storm water system, except for individual repair and maintenance items which cost in excess of \$2,000.

C. Action to Enforce the Federal Consent Decree

On June 3, 1997, the United States filed a motion with the U.S. District Court to enforce the Consent Decree and to collect stipulated civil penalties and civil contempt sanctions for alleged violations of the Consent Decree. The United States alleged that it is entitled to collect \$16,543,500 in stipulated civil penalties in addition to the issuance of an order requiring remedial actions by the City which would require millions more in expenditures.

A complete formal response to the United States' motion was filed on behalf of the City on July 20, 1998. An "Amended Consent Decree" was approved and formally filed in the U.S. District Court on May 3, 2002, indicating that the City and the United States have reached a settlement in principle, which reduces the penalty to \$180,000. This penalty was paid in three \$60,000 installments over two years. The final payment of this obligation was made by the City on July 7, 2004. Remedial measures will take the form of upgrades at the Wastewater Treatment Facility and a significant addition to the collection system in the form of a force main to address additions to the City's service area and population. The remedial measures noted above were substantially completed by the City during 2005 at a cost in excess of \$40,000,000. Additional supplemental capacity assurance projects are currently in various stages and estimated to cost several million dollars.

On April 14, 2006, modification to the 2002 Amended Consent Decree was entered into by the City and the United States. The modifications are to the terms of the demonstration period during which the City is to document the performance of its sewer system to support termination of the amended decree, and to the calculation of reductions in rainfall induced infiltration required to be added to the system. Under the agreed modifications, following the completion of all capacity assurance projects included in the EPA-approved Capacity Assurance Plan, the City shall demonstrate that capacity-related bypasses and overflows have been eliminated. The period for demonstrating elimination of capacity related bypasses and overflows commenced January 5, 2007. The demonstration period shall be deemed to have been satisfactorily completed upon the later of the following:

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

- a. Two years following the commencement date (i.e., January 6, 2009), with no capacity related bypasses and overflows in the collection system or treatment plant during the demonstration period: or,
- b. Satisfactory completion and approval of the I/I repair work under Appendix D of the Capacity Assurance Plan with no capacity related bypasses and overflows in the collection system or treatment plant during the demonstration period.

The modifications include the procedures to be followed in the calculation of I/I removed from the system and the calculation of credits to be issued for reduction in I/I removed. Additionally, it is agreed that the City shall not permit any new industrial, commercial, or residential development that would have the effect of adding at any particular connection point flow equal or exceeding 50 houses or 15,500 gpd at full build out or in the aggregate unless the City first receives approval from U.S. EPA.

D. Conduit Debt Obligation

Capital Development Tourism Fund Revenue Bonds Series, 2003 and 2006

During 2006, the City issued Capital Development Tourism Fund Revenue Bonds in the amount of \$270,000 for the construction of tennis facilities at Indiana University Southeast. During 2003, the City issued Capital Development Tourism Fund Revenue Bonds in the amount of \$450,000 for replacement of the canopy for the New Albany Amphitheater, construction of softball facilities at Indiana University Southeast, and placement of a bronze statue at Clark-Floyd Counties Convention and Tourism Bureau's administrative offices. Through a "Pledge Agreement" the Clark-Floyd Counties Convention and Tourism Bureau has agreed to set aside sufficient revenues each year to pay the principal and interest amounts due on these bonds. Although the structures and improvements funded with the bond proceeds are considered capital assets of the City, the City is not obligated in any manner for the repayment of the bonds. Accordingly the bonds are not reported as debt on the Schedule of Long-Term Debt.

As of December 31, 2007, the Capital Development Tourism Fund Revenue Bonds had an outstanding aggregate principal payable of \$519,711.

Economic Development Commission, Industrial Revenue Bonds

From time to time, the City has issued Economic Development, Indiana Hospital Facilities and Multi-family Housing Mortgage Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as debt on the Schedule of Long-Term Debt.

As of December 31, 2007, there were seven series of Economic Development Revenue Bonds outstanding, one series of Indiana Hospital Facilities Revenue Bonds outstanding, and one series of Multi-family Housing Mortgage Revenue Bonds outstanding. The aggregate principal amount payable for five series issued after July 1, 1995, was \$25,151,301. The aggregate principal amount payable for the four series issued prior to July 1, 1995, could not be determined; however, their original issued amount totaled \$13,200,000.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Early Pay-off of Debt

TIF Bonds

During 2008, the City exercised its option to redeem the outstanding balance owed on the 1999 TIF Bonds-Grantline Road Improvements. The outstanding principal balance of \$930,000 plus accrued interest of \$21,514 was paid on January 30, 2008. Semiannual principal and interest payments were originally scheduled to be completed on September 1, 2014. The City did not incur any redemption fees associated with the early pay-off of these bonds.

During 2008, the City exercised its option to redeem the outstanding balance owed on the 1999 TIF Bonds-Industrial Park East Improvements. The outstanding principal balance of \$680,000 plus accrued interest of \$21,854 was paid on January 30, 2008. Semi-annual principal and interest payments were originally scheduled to be completed on February 1, 2011. The City did not incur any redemption fees associated with the early payoff of these bonds.

F. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all policemen and firemen who retire from the City with at least 20 years of service and Local 1861 Union and CWA Communications Union employees who retire from the City with at least 10 years of service. Currently, 85 retirees meet these eligibility requirements. The City provides a maximum of \$1,247 per month of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2007, disbursements of \$592,939 were recognized for postemployment benefits.

G. Rate Structure – Enterprise Fund

Wastewater Utility

The current rate structure was approved by the Common Council as follows:

<u>Charge</u>	<u>Ordinance</u>	<u>Date</u>
Sewage disposal	G-06-29	08-30-06
Sanitation	A-01-47	12-21-01
Tap-in	G-06-01	01-09-06
Storm water	G-06-21	06-06-06

H. Pledge of Economic Development Income Tax (EDIT) Revenues:

The City has entered into the following irrevocable pledges of EDIT revenues:

1997 Lease Pledge

The City has a lease rental agreement with the New Albany Redevelopment Authority for the State Street parking garage. The remaining annual lease payment for 2008 in the amount of \$307,500 is to be made using tax increment revenues received by the City. Under the agreement, should tax increment revenues received be insufficient to pay the lease payment, then the City agrees to use EDIT revenues to make up any shortfall.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2006 Lease Pledge

The City entered into a lease rental agreement with the New Albany Redevelopment Authority for the Scribner Aquatic Center. Under the agreement, the City has pledged EDIT revenues in the amounts of \$114,250 to \$116,750 during the years 2009 to 2022, which are to be used toward the annual lease payments.

2006 Sewage Works Refunding Revenue Bonds Pledge

Revenue Bond Ordinance No., G-06-31 requires the City to transfer EDIT revenues annually to the Wastewater Utility during the years 2006 to 2023. Annual required transfers range from \$270,000 to \$875,000. The transfers are to ensure sufficient operating funds are on hand for the Utility.

I. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Wastewater Utility is not available.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 94,405	\$ 1,867,700	\$ 2,833,500
Interest on net pension obligation	(30,981)	991,200	1,148,900
Adjustment to annual required contribution	35,305	(1,080,500)	(1,252,500)
Annual pension cost	98,729	1,778,400	2,729,900
Contributions made	100,608	1,645,187	1,461,972
Increase (decrease) in net pension obligation	(1,879)	133,213	1,267,928
Net pension obligation, beginning of year	(427,320)	14,684,339	17,021,419
Net pension obligation, end of year	<u>\$ (429,199)</u>	<u>\$ 14,817,552</u>	<u>\$ 18,289,347</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	2.63%	268%	316%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-06	01-01-06	01-01-06
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

Actuarial Assumptions

Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

* 2.75% converted members; 4% nonconverted members

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 40,866	439%	\$ (334,820)
	06-30-05	48,867	290%	(427,320)
	06-30-06	98,729	102%	(429,199)
1925 Police Officers' Pension Plan	12-31-03	2,694,500	35%	13,854,345
	12-31-04	2,640,100	69%	14,684,339
	12-31-05	1,778,400	93%	14,817,552
1937 Firefighters' Pension Plan	12-31-03	3,737,500	34%	15,598,723
	12-31-04	3,664,900	61%	17,021,419
	12-31-05	2,279,900	54%	18,289,347

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2007, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	49	67
Current active employees	10	14

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2007, 2006, and 2005, were \$1,275,530, \$1,179,038, and \$1,126,997, respectively, equal to the required contributions for each year.

CITY OF NEW ALBANY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 5,583,699	\$ 4,042,480	\$ 1,541,219	138%	\$ 3,673,801	42%
07-01-05	5,692,968	4,330,537	1,362,431	131%	4,166,081	33%
07-01-06	5,100,466	4,327,934	772,532	118%	3,487,604	22%

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 260,144	\$ 28,086,300	\$ (27,826,156)	1%	\$ 1,190,600	(2,337%)
01-01-02	573,594	27,974,400	(27,400,806)	2%	1,074,300	(2,551%)
01-01-03	336,249	26,972,200	(26,635,951)	1%	1,299,300	(2,050%)
01-01-04	158,480	27,123,300	(26,964,820)	1%	1,020,600	(2,642%)
01-01-05	638,966	26,862,500	(26,223,534)	2%	1,046,300	(2,506%)
01-01-06	730,470	23,583,900	(22,853,430)	3%	697,500	(3,276%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 47,602	\$ 37,147,300	\$ (37,099,698)	0%	\$ 1,141,100	(3,251%)
01-01-02	1,094,411	37,273,700	(36,179,289)	3%	898,700	(4,026%)
01-01-03	781,354	34,085,200	(33,303,846)	2%	1,232,800	(2,701%)
01-01-04	392,547	36,798,900	(36,406,353)	1%	1,042,500	(3,492%)
01-01-05	860,666	34,158,400	(33,297,734)	3%	896,800	(3,713%)
01-01-06	487,563	36,405,000	(35,917,437)	1%	896,800	(4,005%)

CITY OF NEW ALBANY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS FROM THE
EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-00	\$ 3,059,700	7%	15%
	12-31-01	3,091,100	4%	37%
	12-31-02	3,154,100	2%	43%
	12-31-03	3,240,700	5%	25%
	12-31-04	3,338,700	24%	31%
	12-31-05	1,867,000	38%	55%
1937 Firefighters' Pension Plan	12-31-00	\$ 3,868,900	13%	23%
	12-31-01	3,996,800	17%	50%
	12-31-02	4,114,500	2%	57%
	12-31-03	4,329,800	0%	29%
	12-31-04	4,451,500	16%	34%
	12-31-05	2,833,500	1%	51%

NEW ALBANY CITY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	Motor Vehicle Highway	Local Road and Street	Street Maintenance and Parking Meter	Park Nonreverting Operating	Donations	Abandoned Vehicles	Local Law Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,391,060	544,839	-	-	-	-	-
Charges for services	3,480	-	29,623	318,233	-	-	-
Fines and forfeits	-	-	-	-	-	17,395	-
Other	-	-	-	55,931	23,683	-	-
Total receipts	1,394,540	544,839	29,623	374,164	23,683	17,395	-
Disbursements:							
General government	-	-	-	-	29,578	-	-
Public safety	-	-	-	-	-	6,776	-
Highways and streets	904,633	580,480	48,112	-	-	-	-
Culture and recreation	-	-	-	377,939	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	904,633	580,480	48,112	377,939	29,578	6,776	-
Excess (deficiency) of receipts over disbursements	489,907	(35,641)	(18,489)	(3,775)	(5,895)	10,619	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	6,589	201,625	-	-	-	-	-
Total other financing sources (uses)	6,589	201,625	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	496,496	165,984	(18,489)	(3,775)	(5,895)	10,619	-
Cash and investment fund balance - beginning	(582,821)	376,329	22,476	85,199	82,711	10,923	10
Cash and investment fund balance - ending	<u>\$ (86,325)</u>	<u>\$ 542,313</u>	<u>\$ 3,987</u>	<u>\$ 81,424</u>	<u>\$ 76,816</u>	<u>\$ 21,542</u>	<u>\$ 10</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ (86,325)	\$ -	\$ -	\$ -	\$ 76,816	\$ -	\$ -
Restricted assets:							
Cash and investments	-	542,313	3,987	81,424	-	21,542	10
Total cash and investment assets - ending	<u>\$ (86,325)</u>	<u>\$ 542,313</u>	<u>\$ 3,987</u>	<u>\$ 81,424</u>	<u>\$ 76,816</u>	<u>\$ 21,542</u>	<u>\$ 10</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	21,542	10
Highways and streets	-	542,313	3,987	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	81,424	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	(86,325)	-	-	-	76,816	-	-
Total cash and investment fund balance - ending	<u>\$ (86,325)</u>	<u>\$ 542,313</u>	<u>\$ 3,987</u>	<u>\$ 81,424</u>	<u>\$ 76,816</u>	<u>\$ 21,542</u>	<u>\$ 10</u>

NEW ALBANY CITY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007
(Continued)

	Law Enforcement Continuing Education	Unsafe Building	Riverboat Income Nonreverting	Drainage	Park and Recreation	EMS	Rainy Day
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 899,215	\$ -	\$ -
Licenses and permits	10,570	-	-	-	-	-	-
Intergovernmental	-	-	931,238	-	77,847	-	1,905,779
Charges for services	15,288	-	-	-	46,690	548,887	-
Fines and forfeits	-	19,183	-	-	-	-	-
Other	-	-	-	-	27,444	508	-
Total receipts	25,858	19,183	931,238	-	1,051,196	549,395	1,905,779
Disbursements:							
General government	-	-	29,125	-	-	-	571,858
Public safety	33,679	15,098	-	-	-	486,834	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	1,185,613	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	600,797	15,615	-	-	-
Public safety	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	33,679	15,098	629,922	15,615	1,185,613	486,834	571,858
Excess (deficiency) of receipts over disbursements	(7,821)	4,085	301,316	(15,615)	(134,417)	62,561	1,333,921
Other financing sources (uses):							
Transfers in	-	106,000	-	-	-	-	-
Transfers out	-	-	(106,000)	-	-	-	-
Other receipts	-	-	51,567	-	5,512	-	-
Total other financing sources (uses)	-	106,000	(54,433)	-	5,512	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,821)	110,085	246,883	(15,615)	(128,905)	62,561	1,333,921
Cash and investment fund balance - beginning	11,885	(56,155)	1,277,005	54,728	180,883	227,999	25,394
Cash and investment fund balance - ending	\$ 4,064	\$ 53,930	\$ 1,523,888	\$ 39,113	\$ 51,978	\$ 290,560	\$ 1,359,315
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ 1,523,888	\$ -	\$ -	\$ -	\$ 1,359,315
Restricted assets:							
Cash and investments	4,064	53,930	-	39,113	51,978	290,560	-
Total cash and investment assets - ending	\$ 4,064	\$ 53,930	\$ 1,523,888	\$ 39,113	\$ 51,978	\$ 290,560	\$ 1,359,315
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ 39,113	\$ -	\$ -	\$ -
Public safety	4,064	53,930	-	-	-	290,560	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	51,978	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	1,523,888	-	-	-	1,359,315
Total cash and investment fund balance - ending	\$ 4,064	\$ 53,930	\$ 1,523,888	\$ 39,113	\$ 51,978	\$ 290,560	\$ 1,359,315

NEW ALBANY CITY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007
(Continued)

	TIF Bond Park East	TIF Park East Industrial	TIF State Street	TIF Garage	Redevelopment Tax Abatement	Park Nonreverting Shelter House	Communications Nonreverting
Receipts:							
Taxes	\$ -	\$ 529,267	\$ 1,489,551	\$ 230,360	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	11,650	-	130,000
Fines and forfeits	-	-	-	-	-	-	-
Other	10,721	-	-	-	-	5,165	-
Total receipts	10,721	529,267	1,489,551	230,360	11,650	5,165	130,000
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	59,535
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	4,197	-
Urban redevelopment and housing	-	-	-	-	2,720	-	-
Debt service:							
Principal	-	145,000	-	-	-	-	-
Interest	-	48,913	13,384	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Economic development	-	61,225	818,847	32,496	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	255,138	832,231	32,496	2,720	4,197	59,535
Excess (deficiency) of receipts over disbursements	10,721	274,129	657,320	197,864	8,930	968	70,465
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,721	274,129	657,320	197,864	8,930	968	70,465
Cash and investment fund balance - beginning	204,378	139,816	657,752	330,589	31,608	44,374	470
Cash and investment fund balance - ending	\$ 215,099	\$ 413,945	\$ 1,315,072	\$ 528,453	\$ 40,538	\$ 45,342	\$ 70,935
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	215,099	413,945	1,315,072	528,453	40,538	45,342	70,935
Total cash and investment assets - ending	\$ 215,099	\$ 413,945	\$ 1,315,072	\$ 528,453	\$ 40,538	\$ 45,342	\$ 70,935
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-	70,935
Highways and streets	-	-	-	-	-	-	-
Economic development	215,099	413,945	1,315,072	528,453	-	-	-
Culture and recreation	-	-	-	-	-	45,342	-
Urban redevelopment and housing	-	-	-	-	40,538	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - ending	\$ 215,099	\$ 413,945	\$ 1,315,072	\$ 528,453	\$ 40,538	\$ 45,342	\$ 70,935

NEW ALBANY CITY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007
(Continued)

	Crimes Against Children	Veterinary Nonreverting	Animal Control Nonreverting	Tree Board Nonreverting	Farmers Market	Police Drug Fund	Walking Patrol
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	9,500	-	-	-	-
Charges for services	-	47,217	18,197	-	-	-	15,105
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	10,000	-	-	-	-
Total receipts	-	47,217	37,697	-	-	-	15,105
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	23,157	722	-	-	-	20,688
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	19,030	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	23,157	19,752	-	-	-	20,688
Excess (deficiency) of receipts over disbursements	-	24,060	17,945	-	-	-	(5,583)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	24,060	17,945	-	-	-	(5,583)
Cash and investment fund balance - beginning	22	44,207	13,161	11,638	1,000	859	14,988
Cash and investment fund balance - ending	<u>22</u>	<u>68,267</u>	<u>31,106</u>	<u>11,638</u>	<u>1,000</u>	<u>859</u>	<u>9,405</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	22	68,267	31,106	11,638	1,000	859	9,405
Total cash and investment assets - ending	<u>22</u>	<u>68,267</u>	<u>31,106</u>	<u>11,638</u>	<u>1,000</u>	<u>859</u>	<u>9,405</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	11,638	\$ -	\$ -	\$ -
Public safety	22	68,267	31,106	-	-	859	9,405
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	1,000	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - ending	<u>22</u>	<u>68,267</u>	<u>31,106</u>	<u>11,638</u>	<u>1,000</u>	<u>859</u>	<u>9,405</u>

NEW ALBANY CITY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007
(Continued)

	Fire Contract Runs	Community Promotions	City Redevelopment	CDBG Rehabilitation Loan	New Directions	Indiana Housing Board Rental Rehabilitation	Redevelopment Home Improvement
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	165,737	-	991,321	-	29,891	-	-
Charges for services	157,179	-	37,899	-	-	-	84,221
Fines and forfeits	-	6,126	-	-	-	-	-
Other	-	-	6,605	19	-	-	-
Total receipts	<u>322,916</u>	<u>6,126</u>	<u>1,035,825</u>	<u>19</u>	<u>29,891</u>	<u>-</u>	<u>84,221</u>
Disbursements:							
General government	-	6,526	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	1,039,630	1,263	39,854	-	115,114
Debt service:							
Principal	68,452	-	-	-	-	-	-
Interest	9,547	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	396,389	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	<u>474,388</u>	<u>6,526</u>	<u>1,039,630</u>	<u>1,263</u>	<u>39,854</u>	<u>-</u>	<u>115,114</u>
Excess (deficiency) of receipts over disbursements	<u>(151,472)</u>	<u>(400)</u>	<u>(3,805)</u>	<u>(1,244)</u>	<u>(9,963)</u>	<u>-</u>	<u>(30,893)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	14,966	-
Transfers out	-	-	-	-	-	-	(14,966)
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,966</u>	<u>(14,966)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(151,472)</u>	<u>(400)</u>	<u>(3,805)</u>	<u>(1,244)</u>	<u>(9,963)</u>	<u>14,966</u>	<u>(45,859)</u>
Cash and investment fund balance - beginning	<u>349,836</u>	<u>6,940</u>	<u>11,286</u>	<u>1,244</u>	<u>197</u>	<u>(14,966)</u>	<u>74,370</u>
Cash and investment fund balance - ending	<u>\$ 198,364</u>	<u>\$ 6,540</u>	<u>\$ 7,481</u>	<u>\$ -</u>	<u>\$ (9,766)</u>	<u>\$ -</u>	<u>\$ 28,511</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ (9,766)	\$ -	\$ -
Restricted assets:							
Cash and investments	<u>198,364</u>	<u>6,540</u>	<u>7,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,511</u>
Total cash and investment assets - ending	<u>\$ 198,364</u>	<u>\$ 6,540</u>	<u>\$ 7,481</u>	<u>\$ -</u>	<u>\$ (9,766)</u>	<u>\$ -</u>	<u>\$ 28,511</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ 6,540	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	198,364	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	7,481	-	-	-	28,511
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,766)</u>	<u>-</u>	<u>-</u>
Total cash and investment fund balance - ending	<u>\$ 198,364</u>	<u>\$ 6,540</u>	<u>\$ 7,481</u>	<u>\$ -</u>	<u>\$ (9,766)</u>	<u>\$ -</u>	<u>\$ 28,511</u>

NEW ALBANY CITY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007
(Continued)

	Interest- Federal Equity Share	County Redevelopment	State Street Garage Nonreverting	Reserve Liability Insurance	Storm Water	TIF Charlestown Road Debt Service	Park Cumulative Building
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ 5,717	\$ -	\$ -	\$ 151,358
Licenses and permits	-	-	-	-	19,362	-	-
Intergovernmental	22,939	-	-	10,204	-	-	10,004
Charges for services	-	3,592	35,691	49,500	1,450,147	-	27,446
Fines and forfeits	-	-	-	-	3,800	-	-
Other	159	1,441	-	-	603	5,759	-
Total receipts	23,098	5,033	35,691	65,421	1,473,912	5,759	188,808
Disbursements:							
General government	-	-	-	106,331	-	-	-
Public safety	13,142	-	-	-	-	-	-
Highways and streets	-	-	13,174	-	1,323,055	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	50,467	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	125,393
Total disbursements	13,142	50,467	13,174	106,331	1,323,055	-	125,393
Excess (deficiency) of receipts over disbursements	9,956	(45,434)	22,517	(40,910)	150,857	5,759	63,415
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,956	(45,434)	22,517	(40,910)	150,857	5,759	63,415
Cash and investment fund balance - beginning	10,406	45,434	60,803	75,732	141,162	228,501	150,450
Cash and investment fund balance - ending	<u>\$ 20,362</u>	<u>\$ -</u>	<u>\$ 83,320</u>	<u>\$ 34,822</u>	<u>\$ 292,019</u>	<u>\$ 234,260</u>	<u>\$ 213,865</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	20,362	-	83,320	34,822	292,019	234,260	213,865
Total cash and investment assets - ending	<u>\$ 20,362</u>	<u>\$ -</u>	<u>\$ 83,320</u>	<u>\$ 34,822</u>	<u>\$ 292,019</u>	<u>\$ 234,260</u>	<u>\$ 213,865</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ 34,822	\$ -	\$ -	\$ -
Public safety	20,362	-	-	-	-	-	-
Highways and streets	-	-	83,320	-	292,019	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	234,260	-
Capital outlay	-	-	-	-	-	-	213,865
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 20,362</u>	<u>\$ -</u>	<u>\$ 83,320</u>	<u>\$ 34,822</u>	<u>\$ 292,019</u>	<u>\$ 234,260</u>	<u>\$ 213,865</u>

NEW ALBANY CITY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007
(Continued)

	Cumulative Capital Improvement	Caesar's Donation	Tourism Bond	Redevelopment BAN Charlestown Road	TIF Charlestown Road	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 809,051	\$ 4,114,519
Licenses and permits	-	-	-	-	-	29,932
Intergovernmental	132,076	137,000	-	-	-	6,359,435
Charges for services	-	-	-	-	-	3,030,045
Fines and forfeits	-	-	-	-	-	46,504
Other	-	1,103,457	-	1,808	-	1,253,303
Total receipts	132,076	1,240,457	-	1,808	809,051	14,833,738
Disbursements:						
General government	-	-	-	-	-	743,418
Public safety	-	-	-	-	-	659,631
Highways and streets	-	-	-	-	-	2,869,454
Culture and recreation	-	-	-	-	-	1,567,749
Urban redevelopment and housing	-	-	-	-	-	1,249,048
Debt service:						
Principal	-	790,000	-	-	185,000	1,188,452
Interest	-	39,465	-	-	82,013	193,322
Capital outlay:						
General government	165,195	256,057	-	-	-	1,037,664
Public safety	-	-	-	-	-	415,419
Economic development	-	-	221,473	361,092	91,526	1,586,659
Culture and recreation	-	-	-	-	-	125,393
Total disbursements	165,195	1,085,522	221,473	361,092	358,539	11,636,209
Excess (deficiency) of receipts over disbursements	(33,119)	154,935	(221,473)	(359,284)	450,512	3,197,529
Other financing sources (uses):						
Transfers in	-	-	-	-	-	120,966
Transfers out	-	-	-	-	-	(120,966)
Other receipts	-	708,131	-	-	-	973,424
Total other financing sources (uses)	-	708,131	-	-	-	973,424
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(33,119)	863,066	(221,473)	(359,284)	450,512	4,170,953
Cash and investment fund balance - beginning	395,609	127,404	443,281	357,884	679,267	6,356,268
Cash and investment fund balance - ending	\$ 362,490	\$ 990,470	\$ 221,808	\$ (1,400)	\$ 1,129,779	\$ 10,527,221
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ (1,400)	\$ -	\$ 2,862,528
Restricted assets:						
Cash and investments	362,490	990,470	221,808	-	1,129,779	7,664,693
Total cash and investment assets - ending	\$ 362,490	\$ 990,470	\$ 221,808	\$ (1,400)	\$ 1,129,779	\$ 10,527,221
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,113
Public safety	-	-	-	-	-	769,426
Highways and streets	-	-	-	-	-	921,639
Economic development	-	-	-	-	1,129,779	3,603,348
Culture and recreation	-	-	-	-	-	178,744
Urban redevelopment and housing	-	-	-	-	-	76,530
Debt service	-	-	-	-	-	234,260
Capital outlay	362,490	990,470	221,808	-	-	1,788,633
Unrestricted	-	-	-	(1,400)	-	2,862,528
Total cash and investment fund balance - ending	\$ 362,490	\$ 990,470	\$ 221,808	\$ (1,400)	\$ 1,129,779	\$ 10,527,221

CITY OF NEW ALBANY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2007

	Police Pension	Firefighters' Pension	Totals
Additions:			
Contributions:			
Employer	457,169	427,319	884,488
Plan members	5,854	11,336	17,190
State	<u>2,146,402</u>	<u>2,797,958</u>	<u>4,944,360</u>
Total additions	<u>2,609,425</u>	<u>3,236,613</u>	<u>5,846,038</u>
Deductions:			
Benefits	1,634,123	2,550,731	4,184,854
Administrative and general	<u>6,816</u>	<u>5,228</u>	<u>12,044</u>
Total deductions	<u>1,640,939</u>	<u>2,555,959</u>	<u>4,196,898</u>
Excess of total additions over total deductions	968,486	680,654	1,649,140
Cash and investment fund balance - beginning	<u>794,081</u>	<u>560,722</u>	<u>1,354,803</u>
Cash and investment fund balance - ending	<u><u>\$ 1,762,567</u></u>	<u><u>\$ 1,241,376</u></u>	<u><u>\$ 3,003,943</u></u>

CITY OF NEW ALBANY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Fire vehicles	\$ 499,164	\$ 154,702
State Street Parking Garage	272,500	307,500
Scribner Aquatic Center	12,750,000	-
Notes and loans payable:		
Scribner Place Bond Anticipation Note	391,778	401,990
Bonds Payable:		
Revenue bonds:		
1999 TIF bonds grantline road improvements	930,000	951,514
1999 TIF bonds industrial park east improvements	680,000	701,854
2005 TIF bonds charlestown road improvements	1,835,000	269,836
2007 TIF bonds state street road improvements	2,995,000	265,553
Total governmental activities debt	<u>\$ 20,353,442</u>	<u>\$ 3,052,949</u>
Business-type Activities:		
Wastewater Utility		
Capital leases:		
Aquatech combination sewer cleaner	\$ 158,750	\$ 36,824
Notes and loans payable:		
Community Wastewater Loan Program Build Indiana Loan	381,468	37,384
2002 State Revolving Loan	35,442,001	2,283,586
2006 State Revolving Loan	1,240,000	105,980
2007 Bond Anticipation Note *	131,314	5,643
Revenue bonds:		
Wastewater 1998 repair and replacement	2,485,000	285,546
Wastewater 2003 refunding	6,870,000	1,231,818
Wastewater 2006 refunding	10,230,000	752,113
Total business-type activities debt	<u>\$ 56,938,533</u>	<u>\$ 4,738,894</u>

* - Ending principal balance represents amount drawn down through December 31, 2007. Actual note is for \$1,315,000

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Record balances were not fully reconciled to depository balances during the audit period. Monthly reconcilements performed consisted of verifying source documents (quietuses and checks) to deposits and checks clearing depositories each month, for each of the City's 15 bank accounts, and to the transactions and balances recorded in the City's records. However, discrepancies between the reconciled amounts and the transactions and balances recorded in the City's records were not always investigated or investigated in a timely manner. During 2007, some unidentified items were carried as reconciling items on the bank reconcilements for up to 10 months. As a result of undetected errors as of December 31, 2007, the City has \$69,525 more in unidentified cash recorded in its records than that being held in its bank accounts.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

It has been our policy to recommend only a minimum number of bank accounts in order to avoid unnecessary bookkeeping and possible errors in charging warrants to bank accounts. So long as an ordinance does not require the keeping of a separate bank account, funds should be consolidated into as few accounts as possible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn in 2007:

General	\$ 2,218,707
Motor Vehicle Highway	86,325
New Directions	9,766
Redevelopment BAN Charlestown Road	1,400

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
General	\$ 811,179
Storm Water	1,323,055

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

PUBLIC WORKS LAW

On December 21, 2006, the New Albany Redevelopment Commission awarded Mac Construction & Excavating a \$259,447.80 contract for the "Elm Street and Other Spot Basis Curb and Sidewalk Improvement Project." During 2007, change orders were approved in the amount of \$82,007. Change orders totaling \$74,436 were for additional work that actually exceeded the scope of the original project and increased the amount of the original contract by 28%.

Indiana Code 36-1-12-18 (d) states: "The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project."

Indiana Code 36-1-12-18(e) states: "All change orders must be directly related to the original public work project."

SALES TAX

During the review of claims we noted that sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL USE OF CITY OWNED VEHICLES AND CELL PHONES

City owned vehicles were furnished to 11 employees to be used for City business and for driving to and from work. The vehicles used were not considered "qualified non-personal use vehicles" as defined by the Internal Revenue Service. The use of these vehicles to commute to and from work is considered personal use and is a taxable fringe benefit. During 2007, this fringe benefit was calculated using the Internal Revenue Service "commuter rule" and included as additional compensation on 10 of the employees' W-2's. The City did not calculate and report this taxable fringe benefit for 1 "control employee" as defined by the Internal Revenue Service.

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

City owned cell phones were furnished to 68 employees to be used for City business. The City does not have a written policy concerning the personal use of city-owned cell phones and records are not maintained that distinguishes between business use and personal use. Personal use of City owned cell phones is considered a taxable fringe benefit and is to be reported on the employee's W-2's.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

During the review of payroll records, we noted several exceptions concerning compensation and benefits paid to some city employees. A summary of these exceptions follows:

Police Department Employees

The City has a labor contract with the Fraternal Order of Police (F.O.P) that sets forth wages, rates of pay, hours, working conditions, benefits, and other conditions of employment for all sworn police officers covered by the terms and conditions of the agreement.

Article 12 of this contract outlines the policy for "Vacations" including the number of vacation days based on length of service and scheduling procedures. This article states in part:

"In the event an employee has off days or a paid holiday occurring within his/her vacation period such days shall be added to and extend his/her vacation time."

Article 16 of this contract outlines the policy for "Holidays" for covered members and states in part:

"Members of the F.O.P shall be entitled to fourteen (14) paid holidays. . . .The rate of pay for said holidays shall be ten percent (10%) of the employee's monthly salary, or at the employee's discretion, compensatory time off. Holiday pay shall be paid one-half (1/2) in the first (1st) pay period in June and the remaining one-half (1/2) in the first (1st) pay period in December of each year."

Article 23 of this contract outlines the "Work schedule" for covered members and states in part:

"The Chief of Police, or his designee, shall schedule employees to a forty (40) hour work week consisting of five (5) eight (8) hour workdays. . . ."

"Time worked shall include paid compensatory time off, paid annual leave, paid sick leave and paid holidays."

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

We reviewed time and attendance records for all members covered by the contract. It was noted, that when a member took vacation during the period in which a holiday occurred, there was no compensatory time charged for that holiday and the member received their full bi-weekly pay. We then reviewed the holiday pay issued during the first pay in June and December to determine if the holiday pay was reduced by the number of holidays in which the member was off on vacation and for which they had already been compensated. We noted a total of 121 instances, affecting 54 members, in which the holiday pay was not reduced for those days. The combined total of holiday pay for these days totaled \$52,159. The City is currently in contract negotiations with the F.O.P., and intends to clarify language in the new contract to resolve this issue.

Benefits Provided to Temporary Full Time Employee

On January 1, 2008, the City hired an employee for the purpose of providing services that would assist officials in completing a project. City officials stated that the employee was scheduled to work 40 hours per week until the requested services had been completed and that upon completion of those services the individual's employment with the City would cease. The City had estimated that they would require the employee's services for approximately 30 to 60 days. On February 29, 2008, the requested services provided by the employee were considered completed and the employee was released from employment.

In accordance to the City's employee manual "Temporary full-time employee shall mean all employees scheduled to work thirty-five (35) hours per week or more but who have either a pre-determined termination date based on seasonal factors or are hired with the intent to be employed until the completion of a particular project or the fulfillment of a special need. These positions would not be considered as ongoing and employees under this classification are not eligible for city fringe benefits such as health and life insurance, paid vacation leave, sick leave, or personal leave."

Payroll records indicated that the City provided health insurance benefits to this employee during the employment period and continued to provide these benefits until April 30, 2008. The City's cost for these benefits totaled \$5,230.94.

Benefits Provided to Former Employee

A full time permanent employee of the City resigned from their position on February 29, 2008. This former employee participated in the City's group health insurance program. In accordance with the City's benefit program, the health insurance benefit termination date should have been March 31, 2008. However, the City continued to provide health insurance benefits until April 30, 2008. The City's cost for these benefits totaled \$556.57.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the departments listed below were remitted to the Controller less frequently than once a week.

Planning Commission
Animal Shelter

All collections made by any department or person connected with a city or town shall be turned in to the Clerk-Treasurer or Controller at least weekly. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

DEPARTMENTAL FEES CHARGED

We noted the following exceptions relating to fees that are to be charged by the following City departments:

Building Commission:

1. Instances were noted in which the fees charged were less than the amounts established under Ordinance G-02-09.
2. Instances were noted in which fees were being waived without an ordinance or resolution authorizing the waiving of these fees.

Park and Recreation:

1. Instances were noted in which fees were being waived without an ordinance or resolution authorizing the waiving of these fees.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS OVER PARK COLLECTIONS

The Parks and Recreation Department uses a cash register system to account for collections at each of their collection points. These collection points consist of the Camille Wright Aquatic Center, Southern Indiana Sports Center, Anderson Park and the Ekin Recreation Center. Park officials have designated separate employees to oversee the collections for each of these collection points. These employees are to reconcile the daily collections to the cash register tapes and to the actual deposit. Any variances between the cash collections, cash register tape and deposits are to be documented. Separate deposits are to be made daily by the employee responsible for the collection point. The cash register tapes, deposit slips and any other collection information from each collection point is then to be used to summarize these collections onto a daily report of collections. The daily report of collections is then to be remitted to the Controller's office in a timely manner in order for collections to be posted to the ledger in a timely fashion.

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

During our review we noted the following deficiencies:

1. Variances between the cash collections, cash register tapes and deposits were not always documented. Park officials were unable to provide an explanation as to why the deposits did not agree with the cash register totals.
2. Collections were not always being deposited by the next business day.
3. Reports of collections were not being remitted to the Controller's office timely. Some reports of collections were not remitted until 36 to 396 days after the collection date. Without the reports of collections, the Controller's office was unable to post these collections to the ledger in a timely manner.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL SERVICE CONTRACTS

During 2007, the Parks and Recreation Department entered into numerous personal service contracts with individuals to provide services such as concession workers, swim instructors, life guards, gymnastic instructors and referees. Most of these contracts were for the period January 1, 2007 to December 31, 2007, and called for payment to be made based on an hourly rate. Based on information obtained from Park Officials and guidelines set out by the Internal Revenue Service, it appears that some of these individuals actually should be classified as employees and not as independent contractors and therefore should be paid through the payroll system.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The City has contracted with Medical Billing Group, LLC for the billings and collections of ambulance service runs. During the year 2007, Medical Billing Group, LLC wrote off \$284,681 in delinquent accounts it deemed uncollectible. The minutes presented for audit did not indicate that these accounts were presented to the Board of Works for approval as required by Resolution R-09-07.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SEWAGE DISPOSAL, SANITATION, AND STORM WATER CHARGES

Since 1998, the Wastewater Utility (Utility) has contracted with Indiana American Water, Inc., (IAWC) to perform the billings and collections of all the Utility's sewage and sanitation charges. IAWC also began billings and collections of all City "residential" storm water charges which were implemented in 2006. Starting January 1, 2006, the Utility took over billings and collections of all sewage and sanitation accounts in the Route 22 area (approximately 3000 accounts) which had been previously handled by IAWC. The Utility also began billings and collections for the City's "commercial" storm water charges which were implemented in 2006.

The City adopted ordinances G-06-29, A-01-47, G-06-21, and GO-80-840, setting the rates to be charged for sewage disposal, sanitation charges, storm water charges and penalty for late payment, respectively. We noted the following exceptions as they pertain to the accounts maintained by IAWC (IAWC accounts) and accounts maintained by the Utility (in-house accounts):

Sanitation Charges:

1. Some commercial customers are being charged less than the approved commercial rates (IAWC accounts).
2. Some churches are being billed more than the approved rates established for churches (IAWC accounts).
3. A 10% late penalty is not being assessed (in-house accounts).

Storm Water Charges:

1. A 10% late penalty is not being assessed (IAWC accounts).
2. A 10% late penalty was not always assessed (in-house accounts).

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

As of December 31, 2007, delinquent wastewater fees and penalties, totaling \$278,304, had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. The balance of delinquent wastewater fees and penalties as of December 31, 2006, was \$472,654. The change in the balance of delinquent wastewater fees and penalties from 2006 to 2007 included \$167,681 in accounts written off as bad debts. The accounts written off to bad debt were a result of liens not being recorded against the properties prior to the conveyance of the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

- (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

- (B) A description of the premises, as shown by the records of the county auditor.

- (C) The amount of the delinquent fees, together with the penalty.

- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . .

(k) Fees, penalties, and service charges that were not recorded before a recorded conveyance shall be removed from the tax roll for a purchaser. . . ."

CITY OF NEW ALBANY
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The City does not maintain sufficient detailed records of capital assets owned by the City and the Wastewater Utility. The City's capital asset ledger has not been updated to account for adjustments reported in these accounts during prior audits. Deletions or disposals of capital assets were not recorded. In addition, inventories of capital assets were not taken by all departments so that capital assets on hand could be reconciled back to the capital asset ledger.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF NEW ALBANY, FLOYD COUNTY, INDIANA

Compliance

We have audited the compliance of the City of New Albany (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-1.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 4, 2008

CITY OF NEW ALBANY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement and (HUD) - Administered) Small Cities Cluster			
Community Development Block Grants/Entitlement Grants	14.218		
FY04		B-04-MC-18-0018	\$ 187,626
FY05		B-05-MC-18-0018	<u>803,695</u>
Total for Federal Grantor Agency			<u>991,321</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources			
National Register of Historic Places	15.914	HPF 18-05-21517-3	<u>1,200</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		
FY07		PT-07-04-01-53	19,493
FY08		PT-08-04-01-45	<u>8,017</u>
Total for Federal Grantor Agency			<u>27,510</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Assistance to Firefighters Grant	97.044	EMW-2006-FG-09309	<u>165,737</u>
Pass-Through Indiana Department of Homeland Security			
Homeland Security Grant Program	97.067	EDS C44P-8-120A	<u>49,240</u>
Buffer Zone Protection Program	97.078	EDS C44P-8-120A	<u>62,908</u>
Total for Federal Grantor Agency			<u>277,885</u>
Total Federal Awards Expended			<u>\$ 1,297,916</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF NEW ALBANY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of New Albany (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2007:

Program Title	Federal CFDA Number	2007
Community Development Block Grants/Entitlement Grants:	14.218	
New Directions Housing Corporation		\$ 129,736
Community Housing Development Corporation		58,229
New Albany Floyd County Consolidated School Corporation		37,077

CITY OF NEW ALBANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
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Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes
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Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
----------------	------------------------------------

14.218	Community Development Block Grants/Entitlement Grants
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	yes
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Section II – Financial Statement Findings

No matters are reportable.

CITY OF NEW ALBANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Federal Award Numbers: B-05-MC-18-0018

FINDING 2007-1, PROCUREMENT

On December 21, 2006, the New Albany Redevelopment Commission awarded Mac Construction & Excavating a \$259,447.80 contract for the "Elm Street and Other Spot Basis Curb and Sidewalk Improvement Project," a Community Development Block Grant (CDBG) project. During 2007 change orders were approved in the amount of \$82,007. Change orders totaling \$74,436 were for additional work that actually exceeded the scope of the original project and increased the amount of the original contract by 28%.

24 CFR 85.36 states: "(b) Procurement standards. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

Indiana Code 36-1-12-18 (d) states: "The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project."

Indiana Code 36-1-12-18(e) states: "All change orders must be directly related to the original public work project."

Failure to adhere to this requirement could cause the unit to be deemed ineligible to receive federal awards in the future.

We recommended that the unit design and properly monitor procedures that would ensure that change orders would not exceed 20% of the original contracted amount unless the change orders are a result of circumstances that could not have been reasonably foreseen and does not increase the scope of the project.

CITY OF NEW ALBANY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



New Albany Redevelopment Commission

DEPARTMENT OF REDEVELOPMENT
ROOM 325, CITY-COUNTY BUILDING
311 HAUSS SQUARE
NEW ALBANY, INDIANA 47150-3586
Phone: 1.812.948.5333 Fax: 1.812.948.6803

April 23, 2008

Official Response

Indiana State Board of Accounts
320 West Washington Street
Room E 418, 4th Floor
Indianapolis, Indiana 46204-2765

In reference: Finding No. 2007-1. Procurement
SBA Audit Report 2007 (Fiscal Year 2007)
U. S. Department of HUD, CDBG Grant B-05-MC-18-0018
CFDA No. 14.218
Contact: John W. Rosenbarger, Public Works Project Supervisor, 812-948-5333

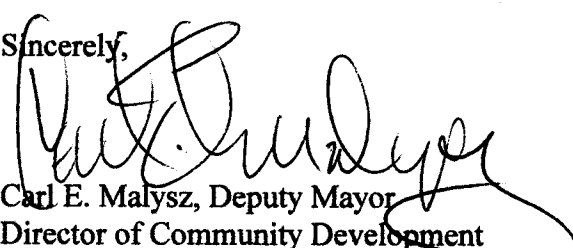
Dear Sir:

We are in receipt of a federal finding for the audit period January 1, 2007 to December 31, 2007. The following is our proposed corrective action plan:

The Public Facilities Specialist will review each proposed public work project change order at the time of request for compliance with IC 36-1-12-18 (d) & (e). The Public Facilities Specialist will notify the Public Works Project Supervisor and the Director of Community Development if any change order exceeds 20% of the original contract.

All change orders will be monitored to ensure that they are directly related to the original public work project or a new contract will be let. This action will be initiated immediately for all open projects.

Sincerely,


Carl E. Malysz, Deputy Mayor
Director of Community Development

cc: Kay Garry, City Controller
John W. Rosenbarger, Public Works Project Supervisor
Sherrie Holmes, Public Facilities Specialist



CITY OF NEW ALBANY
EXIT CONFERENCE

The contents of this report were discussed on June 4, 2008, with Kathlyn M. Garry, Controller; Douglas B. England, Mayor; Jeff Gahan, President of the Common Council; Carl E. Malysz, Deputy Mayor, Ronald S. Carroll, President of the Sewer Board; Kelly J. Welsh, Sewer Office Manager; and Shane L. Gibson, City Attorney.